



# Mexico's New Administration: Priorities and Key Issues in U.S.-Mexican Relations

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## Summary

Congress has maintained significant interest in Mexico and played an important role in shaping bilateral relations. Recently, the centrist Institutional Revolutionary Party (PRI) that governed Mexico from 1929 to 2000 retook the presidency after 12 years of rule by the conservative National Action Party (PAN) in the July 1, 2012 elections. The party also captured a plurality (but not a majority) in Mexico's Senate and Chamber of Deputies. PRI President Enrique Peña Nieto, a former governor of the state of Mexico, took office on December 1, 2012, pledging to enact bold structural reforms and broaden relations with the United States beyond security issues. U.S. policymakers are closely following what the return of a PRI government portends for Mexico's domestic policies and relations with the United States.

Upon his inauguration, President Peña Nieto announced a reformist agenda with specific proposals under five broad pillars: reducing violence; combating poverty; boosting economic growth; reforming education; and fostering social responsibility. He then signed a "Pact for Mexico" agreement with the leaders of the PAN and leftist Party of the Democratic Revolution (PRD) containing legislative proposals for implementing an agenda that includes energy and fiscal reform. Although the pact may ease opposition in Mexico's Congress, Peña Nieto could face other constraints such as violence perpetrated by Mexico's powerful criminal organizations and the performance of the U.S. and global economies. Some analysts maintain that the prospects for reform under this administration are good, while others are more circumspect.

U.S.-Mexican relations grew closer during the Felipe Calderón Administration (2006-2012) as a result of the Mérida Initiative, a bilateral security effort for which Congress has provided \$1.9 billion. Some Members of Congress may be concerned about whether bilateral relations, particularly security cooperation, may suffer now that the party controlling the presidency has changed. Although the transition from PAN to PRI rule is unlikely to result in seismic shifts in bilateral relations, a PRI government may emphasize economic issues more than security matters. President Peña Nieto has vowed to continue U.S.-Mexican security cooperation, albeit with a stronger emphasis on reducing violent crime in Mexico than on combating drug trafficking; what that cooperation will look like remains to be seen. He has also expressed support for increased bilateral and trilateral (with Canada) economic and energy cooperation.

This report, which will be updated, provides an overview of the leadership, priorities, and prospects for Mexico's new administration. It then briefly analyzes how those priorities may affect key bilateral issues of interest to the 113<sup>th</sup> Congress and suggests possible questions for oversight related to each issue area. The report concludes with an outlook section containing key questions that may be used to assess the Peña Nieto Administration and its impact on U.S.-Mexican relations.

For more detailed information on Mexico, see: CRS Report R41349, *U.S.-Mexican Security Cooperation: The Mérida Initiative and Beyond*, by Clare Ribando Seelke and Kristin M. Finklea and CRS Report RL32934, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications*, by M. Angeles Villarreal. For background, see: CRS Report RL32724, *Mexico: Issues for Congress*, by Clare Ribando Seelke.

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## Introduction

Congress has maintained significant interest in political, economic, and security conditions in neighboring Mexico, a close ally that is of vital importance to U.S. national security and economic performance. On December 1, 2012, the Institutional Revolutionary Party (PRI) retook the Mexican presidency after twelve years in opposition, leaving analysts wondering how differently PRI President Enrique Peña Nieto will govern than his predecessors who ruled Mexico from 1929-2000.<sup>1</sup> Supporters maintain that Peña Nieto heads a “new PRI” government that is free from the corruption that characterized the party in the past and ready to enact bold governmental reforms that proved elusive for the last two National Action Party (PAN) administrations. Skeptics question how Peña Nieto will remain independent from old-time PRI power brokers who backed his candidacy and challenge interest groups in his party that are resistant to change.<sup>2</sup>

Since taking office, President Peña Nieto has announced a reformist agenda aimed at improving security, fighting poverty, and boosting competitiveness. He has also convinced leaders from the two main opposition parties—the conservative PAN and the leftist Party of the Democratic Revolution (PRD) — to sign a “Pact for Mexico” agreement aimed at implementing that agenda. The success of Peña Nieto’s presidency is likely to be judged, at least in part, by the extent to which that agenda gets implemented. With significant labor and education reforms having recently been enacted, many analysts assert that the prospects for reform are good, as the PRI and the PAN in particular share similar goals.

As Mexico is experiencing a major domestic shift in power, U.S.-Mexican relations could also be in for some changes. This year marks the first time in 12 years that U.S. and Mexican presidential terms are beginning at roughly the same time. While President Barack Obama and President Peña Nieto both face a full slate of domestic challenges, analysts have urged both leaders to work together on issues that are of critical importance to both countries, particularly those aimed at boosting trade and job creation. At a pre-inaugural meeting in late November 2012, President Obama embraced President Peña Nieto’s desire to bolster economic ties and to focus on a broad array of bilateral issues rather than focusing predominantly on security issues.<sup>3</sup>

Congress and the United States have a strong interest in the impact of the Peña Nieto government on economic and security conditions in Mexico and on U.S.-Mexican relations. Economically, the United States and Mexico are heavily interdependent, and the U.S. economy could benefit if Mexico is able to sustain or expand its economic growth rate (which has averaged 3% over the last three years). Similarly, security conditions in Mexico affect U.S. national security, particularly along the nearly 2,000 mile U.S.-Mexico border. Congress may closely monitor

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<sup>1</sup> The Institutional Revolutionary Party (PRI) unified the country after the Mexican Revolution (1910-1920) by organizing the major groups in Mexican society (organized labor, peasants, and professionals) into a corporatist party. The PRI became a centrist party that relied on a hierarchical party structure, strong patronage system, and periodic electoral fraud to maintain its dominance. The PRI was accused of electoral fraud in the 1988 presidential election and has been criticized in the past for corruption and allowing organized crime to operate within certain parameters set by the state. See: Emily Edmonds-Poli and David A. Shirk, *Contemporary Mexican Politics* (Lanham, MD: Rowman & Littlefield Publishers, 2009).

<sup>2</sup> John M. Ackerman, “The Return of the Mexican Dinosaur,” *Foreign Policy*, July 2, 2012.

<sup>3</sup> The White House, Office of the Press Secretary, “Remarks of President Obama and President-Elect Peña Nieto of Mexico Before Bilateral Meeting,” Press Release, November 27, 2012.

whether the reduction in organized-crime related violence that Mexico experienced in 2012 can be sustained without jeopardizing bilateral efforts against drug trafficking and organized crime. Maintaining strong bilateral cooperation on these and other issues, while also ensuring that U.S. interests are protected, are likely to be of keen interest to Congress.

This report provides an introduction to the new Mexican administration and an initial assessment of its potential impact on key issues of congressional interest in Mexico: security, human rights, migration, trade, and energy. It will be updated to address major developments in Mexico and in Mexican-U.S. relations that are of interest to Congress.

## **Mexico's New Administration**

### **President Enrique Peña Nieto**

Enrique Peña Nieto has been active in the PRI in his native state of Mexico since 1984, most recently serving as its governor. Peña Nieto obtained a law degree from the Panamerican University and a Master of Business Administration from the Monterrey Institute of Technology and Higher Education. An attorney, Peña Nieto began working for the government of the state of Mexico in 1993. Prior to his election as governor, he served as the secretary of administration for the state of Mexico from 2000 to 2002 and as a state congressman from 2003 to 2004. Peña Nieto became the majority leader of his party in the state legislature and speaker of that body.

From 2005 to 2011, Enrique Peña Nieto governed the state of Mexico (see **Figure 1** below), a central state that surrounds the Federal District which is home to some 15 million people and produces 9.4% of Mexico's Gross Domestic Product (GDP).<sup>4</sup> Peña Nieto's slogan as governor was a "government that delivers." His programs and activities were frequently covered by *Televisa*, a major national news network, as a result of a lucrative deal to buy air time that his supporters reportedly signed in 2005.<sup>5</sup> In his final state of the state report, Peña Nieto maintained that his government had created 224,000 jobs, increased investments in infrastructure without taking on additional debt, and doubled tax revenues. Analysts questioned whether Peña Nieto indeed completed all of the projects that he promised to deliver, challenged his record on human rights, and said that his administration lacked transparency. Nevertheless, Peña Nieto remained popular in his home state (his chosen successor was elected governor with 60% of the vote), while simultaneously becoming a national political figure.

In November 2011, Enrique Peña Nieto formerly became the presidential candidate of the "Committed to Mexico" coalition composed of the PRI and the Green Ecological Party (PVEM). As when he was governor, Peña Nieto's team ran a media-savvy campaign that was bolstered by ties with Mexico's leading television networks. Peña Nieto led the race from start to finish, despite receiving significant criticism from the *YoSoy132* (I am 132) student protest movement<sup>6</sup>

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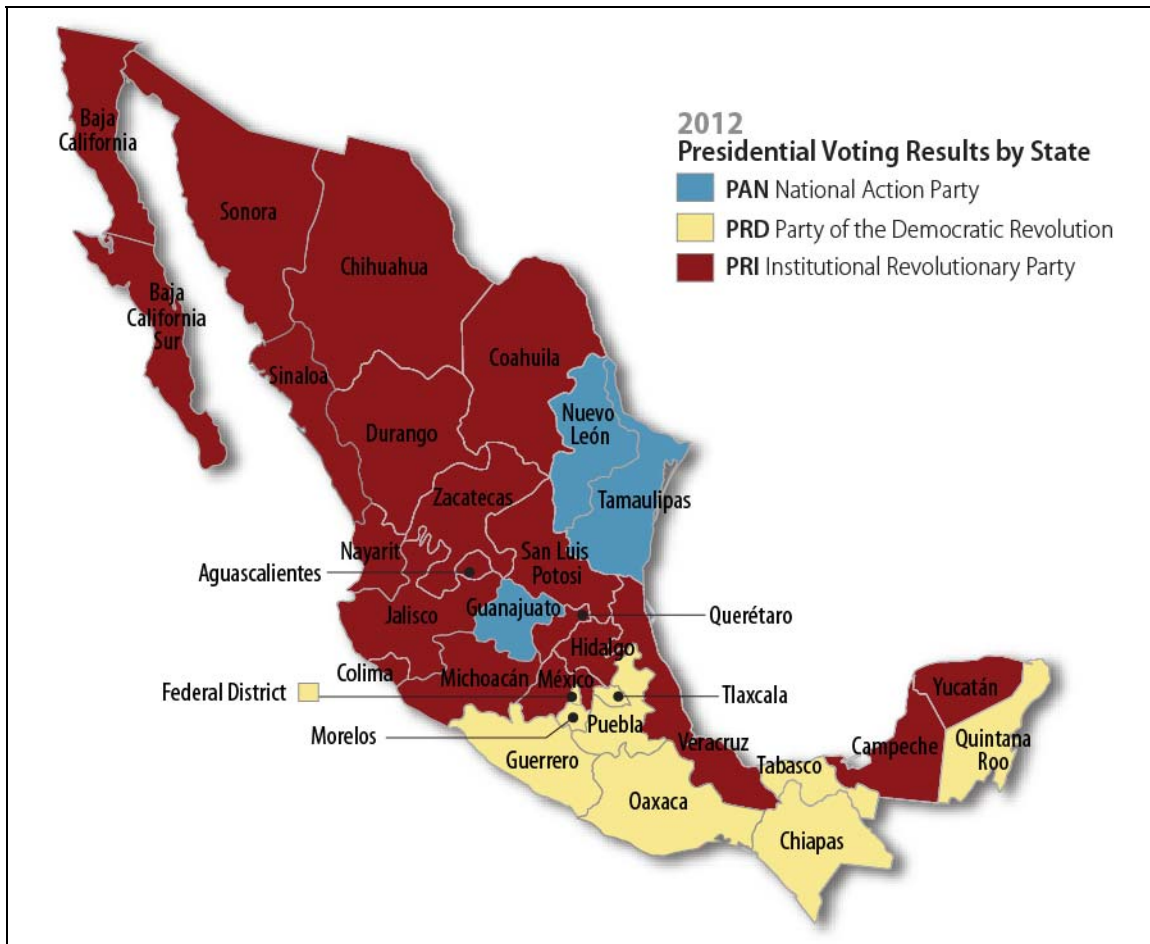
<sup>4</sup> Mexican government data as cited in: JP Morgan, *Mexico Economic Comment: What to Expect From the Upcoming General Elections*, March 30, 2012.

<sup>5</sup> For more information, see Duncan Wood, *The Rise of Enrique Peña Nieto and Return of the PRI*, Center for Strategic & International Studies (CSIS), October 2011.

<sup>6</sup> For background on the movement, see: Damien Cave, "In Protests and Online, a Youth Movement Seeks to Sway Mexico's Election," *New York Times*, June 11, 2012.

for his close media ties and facing unexpectedly stiff competition from Andrés Manuel López Obrador of the leftist PRD. The narrow margin of Peña Nieto's victory in the July 1, 2012 election<sup>7</sup> (which López Obrador never recognized), coupled with the PRI-PVEM's failure to capture a simple majority in the Senate or Chamber of Deputies, could complicate his ability to govern. The fact that Peña Nieto has embraced some of the anti-corruption and pro-human rights agenda of his leftist critics has been praised by some, but criticized by others as disingenuous.

**Figure 1. Mexico's 2012 Presidential Election Results: Party Preferences by State**



**Source:** Mexico's Federal Electoral Institute (IFE). Prepared by CRS Graphics.

<sup>7</sup> Peña Nieto captured 38.2% of the vote, followed by López Obrador with 31.6%, Josefina Vázquez Mota of the National Action Party (PAN) with 25.4%, and Gabriel Quadri of the National Alliance Party (PANAL) with 2.3%. Mexico's Electoral Tribunal considered a series of legal challenges put forth by the PRD-led coalition that vote-buying and other irregularities should have warranted an annulment of the results before declaring Enrique Peña Nieto President-elect on August 31, 2012. See: CRS Report R42548, *Mexico's 2012 Elections*, by Clare Ribando Seelke.

## **Pena Nieto's Administration**

### **Structural Changes**

Mexico's presidential transitions are characterized not only by a high level of turnover in government agencies, but often by a complete overhaul of governmental structures and organizational patterns. President Peña Nieto, for example, has sought to return much of the power to the Interior Ministry that it had before the PAN took office in 2000. He secured congressional approval of a reform that places the Secretariat of Public Security (including the Federal Police) and intelligence functions under the authority of the Interior Ministry. That Ministry, rather than the SSP, will now be the focal point for security collaboration with the United States, as well as with coordination with the military and state and municipal authorities. While coordination may improve, some are concerned that too much power could now reside in one ministry. Others question how the Interior Ministry is going to improve coordination between the Federal Police and the military.<sup>8</sup>

President Peña Nieto has also vowed to revamp and modernize the Attorney General's Office (PGR). This may provide a counterweight to the increased power of the Interior Ministry, but coordination problems between the two ministries also need to be addressed. The PGR's budget increased much less during the Felipe Calderón Administration (2006-2012) than those of the Secretariat for Public Security or the military.

President Peña Nieto also sought and achieved the dissolution of the Ministry of Public Administration, Mexico's anti-corruption authority. Peña Nieto proposes to replace that entity with an anti-corruption commission that would reside within the Treasury Department and have the power to issue administrative sanctions for corruption found in all levels and branches of government. Some experts remain concerned, however, that the proposed commission would lack independence and would still have to refer criminal cases to prosecutors who are part of the executive branch (and therefore reluctant to prosecute fellow government officials).<sup>9</sup>

Recent Mexican presidents have also sought to create new or revamped federal police entities. President Peña Nieto plans to reform, rather than dismantle, the Federal Police, but how it will be reconfigured to focus on investigations and combating key crimes, per his security strategy, remains to be seen. Peña Nieto also proposes to create a new militarized police entity, the National Gendarmerie, whose forces will likely be drawn from the military but placed under the control of the Interior Ministry. Peña Nieto's security strategy envisions the Gendarmerie, rather than the Federal Police, replacing military forces currently assisting municipalities overwhelmed by violence. They would also guard border crossings, ports, and airports. He has acknowledged, however, that the military will remain engaged in public security efforts through 2015.

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<sup>8</sup> For more analysis, see: Alejandro Hope, *Peace Now? Mexican Security Policy After Felipe Calderón*, Inter-American Dialogue Latin America Working Group paper, January 2013.

<sup>9</sup> "EPN Tries to Revert 'Business as Usual' in Mexico," *Latin American Regional Report: Mexico & NAFTA*, December 2012.

## Leadership

Although Mexico has an unusually long transition period from one presidency to the next, its incoming leaders do not generally announce their cabinet appointments until immediately prior to assuming office. While the transition period can prove difficult, there appears to have been some degree of communication between the outgoing Calderón government and Peña Nieto's transition team. Outgoing President Calderón introduced historic labor reform legislation that the Mexican Congress approved under new fast-track provisions in November 2012, which had also been endorsed by President-elect Peña Nieto despite opposition from union leaders.<sup>10</sup> U.S. officials also met regularly with Peña Nieto's transition team, albeit without knowing whether the individuals with whom they consulted would eventually receive cabinet appointments.

In the end, President Peña Nieto selected many of his close confidantes and transition team leaders for key positions in his government; analysts say this reflects his desire to reestablish a strong presidency backed by certain key ministers. The Transition Team General Coordinator, Luis Videgaray Caso, is now the Secretary of Finance, a post which he also held in the state of Mexico during Peña Nieto's governorship. Videgaray will likely lead economic policy-making for the new government, including efforts to reform Mexico's tax code and to open its state oil company, *Petroleos Mexicanos* (PEMEX) to private investment. Miguel Angel Osorio Chong, the Transition Team's General Coordinator for Political and Security Issues, is now head of the powerful Interior Ministry. Osorio Chong served as governor of Hidalgo, which borders the state of Mexico, when Peña Nieto governed; he then became the PRI's Secretary of Organization (third highest post). Osorio Chong is in charge of coordinating domestic affairs and overhauling security policy. He will coordinate with General Salvador Cienfuegos Zepeda, Secretary of Defense, and Admiral Vidal Soberón Sanz, Secretary of the Navy. Cienfuegos previously served as his ministry's third highest officer and is the past commander of four regions. Although relatively junior to be selected for his post, Soberón Sanz brings continuity, having served as chief of staff to the previous Navy Secretary.

The new cabinet consists of a combination of younger PRI leaders with technical expertise and postgraduate education abroad; senior PRI politicians, many of whom served as governors; and a few individuals from outside the party.<sup>11</sup>

In addition to Luis Videgaray, **technocrats with economic credentials** include:

- Ildefonso Guajardo Villarreal, a former federal deputy, as Secretary of the Economy;
- Emilio Lozoya, a former Latin American Director for the World Economic Forum and hedge fund founder, as head of PEMEX; and,

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<sup>10</sup> The newly enacted labor reforms were passed as a result of a compromise between the PAN and PRI; the PRD opposed them. They include measures to make hiring and firing workers easier, regulate subcontracting and outsourcing, strengthen safeguards against child labor, and protect working women. See: Stephen Johnson and Alek Suni, *Mexican Labor Reforms – What Do They Mean?*, CSIS, December 14, 2012.

<sup>11</sup> Andrew Selee, *A Few Reflections on the New Mexican Cabinet*, Woodrow Wilson Center's Mexico Institute, December 1, 2012: "Mexico's New Government: With a Little Help From My Friends," *The Economist*, December 8, 2012.



- José Antonio Meade, a surprise choice for Secretary of Foreign Relations, who served in positions in finance for the Fox and Calderón Administrations including, most recently, Secretary of Finance.

This group could signify Peña Nieto's emphasis on implementing economic reforms and prioritizing trade and economic matters in foreign relations as well.

Along with Osorio Chong, **PRI party stalwarts** include: Attorney General Jesús Murillo Karam; Energy Secretary Pedro Joaquín Coldwell; and Education Secretary Chuayffet Chemor. These leaders, all in their sixties, bring political clout and executive experiences to the cabinet, but also have deep ties to their party, causing some to doubt their commitments to reform. This may not prove to be the case, however, as Karam has already backed limits on the use of preventive detention in prisons; Coldwell is to be a key player in energy reform efforts; and Chuayffet Chemor is to lead implementation of recently-enacted education reforms opposed by Mexico's Teacher's Union, but deemed important by education experts for improving teacher quality.<sup>12</sup>

In addition to Meade, a few cabinet officials selected from **outside PRI party circles tapped to lead key ministries** include:

- Manuel Mondragón, the long-serving former Secretary of Public Security for Mexico City, as Undersecretary for Public Security;
- Rosario Robles, a former PRD party head, mayor of Mexico City, and activist on women's issues as head of the influential Secretary of Social Development; and,
- Mercedes Juan, a surgeon and leader of a public-private healthcare reform organization, as Secretary of Health.

## **Top Priorities for the New Administration**

Upon his inauguration, President Peña Nieto announced a reform agenda with specific proposals under five broad pillars: reducing violence; combating poverty; boosting economic growth; reforming education; and fostering social responsibility. Somewhat surprisingly, leaders from the conservative PAN and leftist PRD signed on to President Peña Nieto's "Pact for Mexico" containing legislative proposals for advancing that reform agenda. While some opposition legislators have since balked at their leaders' decisions to endorse the PRI-led pact, the Congress already approved an education reform bill, one of the 13 measures based on the pact that Peña Nieto had identified as short-term priorities.<sup>13</sup> Analysts predict that despite the constraints discussed below (see: "Constraints Facing the New Administration"), the prospects for implementing Peña Nieto's agenda are good because the PAN and the PRI in particular agree on many of the structural reforms that need to be enacted.<sup>14</sup>

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<sup>12</sup> The education reform give the government, rather than the union, control over hiring and firing teachers and creates a new independent entity to evaluate teachers. See: Juan Montes and José de Córdoba, "Mexico Takes on Teachers Over School Control," *Wall Street Journal*, December 21, 2012.

<sup>13</sup> Other key measures include: implementing a national crime prevention plan; enacting a unified criminal procedure code for the whole country; increasing competition in telecommunications; and passing legislation to deal with state and municipal debt. Those measures are summarized in Spanish at: México, Presidencia de la República, "Decisiones Presidenciales Anunciadas el 1º de Diciembre," Press Release, December 1, 2012, available at: <http://www.presidencia.gob.mx/decisiones-presidenciales-anunciadas-el-1o-de-diciembre/>

<sup>14</sup> Héctor Aguilar Camín and Jorge G. Castañeda, "Mexico's Age of Agreement: A Mandate for Reform," *Foreign* (continued...)

## **Violence Reduction**

On December 17, 2012, President Peña Nieto outlined a strategy that aims to achieve a “Mexico in Peace” where human rights are respected and protected by implementing a “state” security policy that involves binding commitments from all levels of government and civic participation. The six pillars of the strategy include: 1) planning; 2) prevention; 3) protection and respect of human rights; 4) coordination; 5) institutional transformation; and 6) monitoring and evaluation. Peña Nieto has centralized the structure of Mexico’s security apparatus under the authority of the Interior Ministry and pledged to replace military forces engaged in public security efforts with a gendarmerie (militarized police). Although President Peña Nieto has said that his government will not abandon the fight against organized crime, the primary goal of his security strategy is to reduce violence in Mexico. Its success will be measured in reductions in homicides and other crimes, rather than in drugs seized or kingpins arrested.

## **Fiscal and Energy Reform**

In the economic realm, President Peña Nieto has indicated that enacting fiscal and energy reforms will be top priorities in 2013. The government may seek to boost Mexico’s tax revenues, currently among the lowest in Latin America, by simplifying the tax code, making tax collection more efficient, punishing evasion, and scaling back exemptions and subsidies. Some predict that Peña Nieto might propose ending exemptions from the value added tax and/or reducing or ending energy subsidies. Some have also predicted that Peña Nieto might propose making PEMEX’s budget more independent and reducing its tax burden as part of a larger fiscal reform effort. PEMEX provides roughly a third of the Mexican government’s revenue and its budget is tightly controlled by the government. Peña Nieto has also pledged to help PEMEX boost production by enacting reforms that would maintain state control over the company, but allow it to benefit from private capital and expertise. This would likely require a constitutional amendment to Article 27 of the Mexican Constitution.

## **Combating Poverty**

Analysts maintain that President Peña Nieto intends to boost tax revenues in order to establish a universal social safety net with social security and unemployment insurance that builds upon the last two governments’ provision of nearly universal access to healthcare. Mexico has long had relatively high poverty rates for its level of economic development (51% in 2010),<sup>15</sup> particularly in certain rural regions; that poverty has been one of the factors fueling illegal emigration. President Peña Nieto’s 2013 budget provides expanded access to federal pensions, a new life insurance program for female heads of household, and increased funding for the *Oportunidades* (Opportunities) conditional cash transfer program.<sup>16</sup> Peña Nieto has also backed initiatives aimed at bringing more workers into the formal sector and boosting rural productivity.

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*Affairs*, November/December 2012.

<sup>15</sup> This figure, the most recent available, is from the World Bank. It is an estimate of the percentage of Mexicans living below the national poverty line. See: <http://data.worldbank.org/country/mexico>.

<sup>16</sup> *Oportunidades* is Mexico’s main antipoverty program. It provides cash transfers to 5.8 million families in poverty who demonstrate that they regularly attend medical appointments and can certify that their children attend school.

## Constraints Facing the New Administration

Mexico had a centralized political system with a strong presidency for most of the 20<sup>th</sup> century. Since the PRI last governed in the 1990s, however, presidential power in Mexico has become increasingly constrained by Congress, the Supreme Court, and the country's governors.<sup>17</sup> An active press, independent institutions within the government (such as the Federal Institute for Access to Public Information), and a mobilized citizenry now also serve as stronger checks on executive power than in the past. Forces that will likely limit the Peña Nieto Administration's power, both positively and negatively, include:

- **Congress.** Since 1997, Mexican presidents have lacked congressional majorities and seen many of their legislative proposals watered down or thwarted entirely as the Mexican Congress has become more assertive. The PRI/PVEM's failure to capture a congressional majority means that President Peña Nieto will have to form cross-party coalitions in order to pass key reforms, particularly those requiring constitutional amendments. If the PRI-PVEM coalition aligns with the National Alliance Party, or PANAL (as it has in the past), together they would have 251 of 500 seats in the Chamber (a simple majority) and 62 of 128 seats in the Senate (just short of a simple majority). The PAN, which lost seats in the Chamber but retained a powerful bargaining position, is another possible ally. PAN leaders have pledged to support aspects of Peña Nieto's reform agenda that they believe are in the best interest of the country, even proposals previously blocked by the PRI. The PRD-led coalition, which now has more seats in the Chamber than the PAN and remains the third-largest force in the Senate, could complicate initiatives aimed at increasing private participation in the energy sector, but back reforms to strengthen human rights or fight corruption.
- **The Supreme Court.** During the 1990s, President Ernesto Zedillo (1994-2000) implemented reforms to increase the power and autonomy of the Supreme Court. Since that time, the Supreme Court has begun to denounce executive overreach and to issue important decisions, including in the area of human rights. The Court is in the process of establishing legal precedent for requiring cases of military human rights abuses committed against civilians to be tried in civilian courts, which could spur President Peña Nieto to address the issue of military impunity. Military prosecutors have opened thousands of investigations into allegations of human rights abuses as a result of complaints filed with the National Human Rights Commission, with few having resulted in convictions.
- **Governors:** Unlike former President Calderón, President Peña Nieto may be able to draw upon the PRI's strength at the state and local level to garner support for his policies, particularly in the security realm. The PRI controls 20 of 32 governorships. Should Peña Nieto's national agenda run counter to state interests, however, he could have to choose between maintaining party unity and challenging PRI governors.
- **Vested Interest Groups.** Mexico's powerful public sector unions, monopolies, and oligopolies are likely to oppose any measures aimed at restricting their

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<sup>17</sup> For background, see Andrew Selee and Jacqueline Peschard, eds., *Mexico's Democratic Challenges: Politics, Government, and Society* (Stanford, CA: Stanford University Press, 2010).

power, even if they are proposed by a PRI Administration. As an example, opposition from labor union leadership prompted PRI legislators to strip some of the provisions aimed at democratizing unions from the labor reform enacted in November 2012 that Peña Nieto had himself supported.

- **The Press and Civil Society.** Mexican media outlets are more independent than in the past, and civil society has become more organized and vocal. The *YoSoy132* protest movement and the Movement for National Regeneration (Morena), López Obrador's social movement that is seeking to become a political party, are likely to provide particularly close scrutiny of this government. Their members likely participated in the protests that erupted on inauguration day. The resurgence of the Zapatistas (Ejército Zapatista de Liberación Nacional), a leftist revolutionary group based in Chiapas that launched an uprising in 1994 at the beginning of the last PRI government, could also present challenges.

In addition to these checks on the Peña Nieto government's power, Mexico's powerful criminal organizations could derail one of his top security goals: reducing violent crime in Mexico.<sup>18</sup> The violence that Mexico has recently experienced has resulted from increasing numbers of criminal groups battling each other and the government for control over illicit U.S.-bound trafficking routes, as well as domestic drug distribution. The homicide rate declined in Mexico in 2012 for the first time since 2007, but could still rise again. Even if the Mexican government were to pull back or reorient its forces in an attempt to reduce the violence, trafficker-on-trafficker violence could continue unabated.

President Peña Nieto's goal to increase economic growth and formal sector employment in Mexico could also be thwarted by external economic conditions, particularly the performance of the U.S. economy. Mexico has an extremely open economy that depends on the U.S. market as a destination for some 80% of its exports. Should the U.S. recovery falter, Mexico may be unable to maintain GDP growth rates above 3%, as it has for the last three years, much less improve its economic performance.

## **Key Issues of Congressional Interest in the Bilateral Relationship**

Congress has maintained longstanding interest in a broad range of issues dealing with Mexico, a country with whom the United States shares a nearly 2,000 mile border and close to \$500 billion in annual trade. In recent decades, the top issues of congressional interest on the bilateral agenda have centered upon migration/border security; trade (NAFTA implementation and disputes); and drug trafficking and security efforts. Since 9/11, security issues have generally overtaken migration and trade matters. Greater energy cooperation with Mexico has also emerged as a new area of interest.

Some bilateral issues may require immediate congressional action in order to advance, while others may lend themselves more to long-term oversight. For example, congressional action may soon be required in order for the U.S.-Mexico Trans-boundary Hydrocarbons Agreement on

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<sup>18</sup> For background, see: CRS Report R41576, *Mexico's Drug Trafficking Organizations: Source and Scope of the Rising Violence*, by June S. Beittel.

managing oil resources in the Gulf of Mexico that was signed in February 2012 to take effect. Migration and border security cooperation could also be substantially overhauled should Congress consider comprehensive immigration reform. At the same time, Congress will consider continued funding for the Mérida Initiative and related domestic initiatives aimed at combating transnational crime and strengthening the rule of law in Mexico that are well underway. Congressional concern about improving human rights conditions and strengthening democracy in Mexico also lend themselves to long-term oversight.

## **Security, Drug Trafficking, and the Mérida Initiative<sup>19</sup>**

Violence perpetrated by warring criminal organizations has threatened citizen security and governance in parts of Mexico and overwhelmed the country's justice sector institutions. Although the violence has declined since late 2011, it likely claimed more than 60,000 lives during the Calderón Administration.<sup>20</sup> This violence has increased congressional concerns about stability in Mexico and about the possibility of violence spilling over into the United States.

U.S.-Mexican security cooperation has increased significantly as a result of the development and implementation of the Mérida Initiative, a bilateral security partnership announced in 2007 that involves U.S. assistance to Mexico. From FY2008-FY2012, Congress appropriated \$1.9 billion in Mérida assistance for Mexico, roughly \$1.1 billion of which had been delivered as of November 2012. Whereas U.S. assistance initially focused on training and equipping Mexican counterdrug forces, it now places more emphasis on addressing the weak institutions and underlying societal problems that have allowed the drug trade to flourish in Mexico. The Mérida strategy now focuses on four pillars: (1) disrupting organized criminal groups, (2) institutionalizing the rule of law, (3) building a 21<sup>st</sup> century border, and (4) building strong and resilient communities. While bilateral efforts have yielded some positive results, the weakness of Mexico's criminal justice system has hindered the effectiveness of anti-crime efforts.

Mexican President Enrique Peña Nieto has vowed to continue U.S.-Mexican security cooperation, albeit with more emphasis on reducing violent crime in Mexico. Peña Nieto's security strategy prioritizes crime prevention and human rights protection; it also seeks to advance judicial reform.<sup>21</sup> While his strategy appears to dovetail well with pillars two and four of the Mérida strategy, there are still many details of the strategy that will have major implications for pillar one efforts that need to be fleshed out. For example, will the National Gendarmerie have arrest authority? If not, that force will be unable to receive U.S. law enforcement assistance. How will its mandate differ from that of the Federal Police, an entity that has received hundreds of millions of dollars of U.S. training and equipment? How will the activities of both those forces be coordinated with the Mexican military?

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<sup>19</sup> For further information, see: CRS Report R41349, *U.S.-Mexican Security Cooperation: The Mérida Initiative and Beyond*.

<sup>20</sup> Lantia Consultores tracks monthly organized crime-related killings in Mexico. It estimates that close to 64,000 organized-crime deaths occurred during the Calderón Administration. Email from Eduardo Guerrero of Lantia Consultores, November 30, 2012.

<sup>21</sup> Under constitutional reforms enacted in 2008, Mexico has until 2016 to replace its trial procedures at the federal and state level, moving from a closed-door process based on written arguments to an adversarial public trial system with oral arguments and the presumption of innocence until proven guilty.

President Peña Nieto may also call the U.S. government to task for not adequately fulfilling its domestic pledges under Mérida to address drug demand and the illicit trafficking of firearms and bulk currency to Mexico. His government supports efforts to enact gun control and to combat gun trafficking from the United States to Mexico.

As President Peña Nieto implements his security strategy, the 113<sup>th</sup> Congress may examine how the Mexican government's priorities align with U.S. interests. Congressional approval will be needed should the State Department seek to reprogram some of the \$800 million already in the pipeline for Mérida, or shift new funding to better align with Mexico's new priorities. Should conflicts occur between Mexican and U.S. priorities, Congress may choose to weigh in on how those conflicts should be resolved. For example, President Peña Nieto has said that the success of his strategy will be measured in reductions in homicides and other crimes, rather than in drugs seized or kingpins arrested. This shift could potentially create some tension with U.S. efforts to combat Mexico's transnational criminal organizations. Any move by the Peña Nieto government to negotiate with criminal groups, as the Salvadoran government has done,<sup>22</sup> and/or legalize certain drugs, would likely prompt congressional concerns.

Possible questions for oversight may include:

- After five years, what have been the results of the Mérida Initiative thus far?
- How is the State Department measuring the efficacy of Mérida programs?
- How are Mérida programs being affected by the Peña Nieto government's new security strategy?
- How is coordination going with the new government?
- To what extent is the Mexican government moving judicial and police reform efforts forward, and how much U.S. assistance are they seeking to advance those reforms?

## **Human Rights and Judicial Reform**

Congress has expressed ongoing concerns about human rights conditions in Mexico; these concerns have intensified as U.S. security assistance to Mexico has increased. Congress has conditioned U.S. assistance to the Mexican military and police on compliance with certain human rights standards, while simultaneously providing funding to support human rights training for security forces and to protect groups vulnerable to human rights abuses (such as the press and human rights defenders). The primary goal of these efforts has been to ensure that U.S.-funded anticrime efforts are carried out in a way that respects human rights and strengthens the rule of law in Mexico.

U.S. assistance to Mexico has increasingly focused on supporting the Mexican government's efforts to reform its corrupt and inefficient judicial system, both as a means to make anticrime efforts more effective and to strengthen the rule of law in Mexico. Congress has earmarked money to support Mexico's transition from an inquisitorial justice system to an oral, adversarial, and accusatory system that should strengthen human rights protections for victims and the

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<sup>22</sup> CRS Report RS21655, *El Salvador: Political and Economic Conditions and U.S. Relations*, by Clare Ribando Seelke.

accused. Congress has also increased funding for rule of law (ROL) programs in Mexico; asked the State Department to report on how U.S. programs are helping to achieve judicial and police reform in Mexico (H.Rept. 112-331), and expressed support for future ROL funding.<sup>23</sup> U.S. policymakers are likely to follow how the Peña Nieto government moves to fulfill its pledges to enact a federal criminal procedure code to hasten reform at the federal level and increase support to states transitioning to the new system.

Despite concerns about his human rights record as governor, some human rights groups have expressed satisfaction that President Enrique Peña Nieto has adopted a pro human rights discourse and promulgated a law requiring state support for crime victims and their families.<sup>24</sup> They have urged U.S. policymakers to monitor the Peña Nieto government's compliance with conditions on Mérida assistance and to continue rigorous vetting of Mexican individuals and units slated to receive U.S. training as per §620M of the Foreign Assistance Act (FAA) of 1961.<sup>25</sup> How the Peña Nieto government moves to improve the ability of Mexico's civilian institutions to investigate and prosecute cases of human rights abuses by security forces, enhance enforcement of prohibitions against torture and other mistreatment, and strengthen protection for human rights defenders are likely to be closely scrutinized.

The 113<sup>th</sup> Congress may choose to augment Mérida Initiative funding for human rights programs, such as ongoing human rights training programs for military and police, or newer efforts, such as support for human rights organizations. Human rights conditions in Mexico, as well as compliance with conditions on Mérida assistance, are also likely to continue to be important oversight issues. U.S. policymakers may question how the Peña Nieto Administration is moving to punish past human rights abuses, how it intends to prevent new abuses from occurring, and how the police and judicial reforms it is implementing are bolstering human rights protections.

## **Migration and Border Security<sup>26</sup>**

Immigration policy has been a subject of congressional concern over many decades. Since 2001, Congress has considered a range of measures to strengthen border security and migration control, changes to the Legal Permanent Resident (LPR) and nonimmigrant visa systems, and proposals to legalize certain unauthorized aliens, among other issues. Mexico's status as the largest source of U.S. migrants and as a continental neighbor means that U.S. migration policies— including stepped up border and interior enforcement— has primarily affected Mexicans. As a result, it is a central issue in U.S.-Mexican relations.

Since the mid-2000s, successive Mexican governments have supported efforts to enact comprehensive immigration reform in the United States, while being careful not to appear to be infringing upon U.S. congressional authority to make and enforce immigration laws. The

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<sup>23</sup> U.S. Congress, Majority Staff Report, *Judicial and Police Reforms in Mexico: Essential Building Blocks for a Lawful Society*, prepared for Sen. John Kerry, Chairman, U.S. Senate, Committee on Foreign Relations, 112<sup>th</sup> Cong., 2<sup>nd</sup> sess., July 9, 2012, S. Prt. 112-36.

<sup>24</sup> Human Rights Watch, *Letter to President Enrique Peña Nieto*, December 11, 2012.

<sup>25</sup> Restrictions on certain aid to Mexico's military and police have been included in each of the Mérida appropriations legislation measures since P.L. 110-252. See: CRS Report R41349, *U.S.-Mexican Security Cooperation: The Mérida Initiative and Beyond*.

<sup>26</sup> For background, see: CRS Report R42560, *Mexican Migration to the United States: Policy and Trends*, coordinated by Marc R. Rosenblum.

Mexican government has pledged to enforce legal emigration, increase security along its northern and southern borders, and create opportunities for workers in Mexico so that fewer individuals will emigrate. Mexico has aggressively combated transmigration by unauthorized migrants crossing Mexico bound for the United States and worked with U.S. law enforcement to combat alien smuggling and human trafficking. Due to a number of factors, illegal emigration from Mexico is estimated to be at a 40 year low.<sup>27</sup> Still, corruption remains endemic within Mexico's National Migration Institute (the entity within the Interior Ministry that enforces immigration laws); Mexico's southern border continues to be porous and insecure; and rural poverty and a dearth of formal employment opportunities persists.

President Peña Nieto, like former President Calderón, is unlikely to promise Mexicans that he can affect immigration reform efforts in the U.S. Congress or reach a bilateral accord with the Obama Administration. Both leaders saw how Former President Vicente Fox's failure to secure a bilateral immigration accord with the United States in 2001 proved to be a major blow to his administration.<sup>28</sup> Nevertheless, Peña Nieto has pledged his full support for President Obama's pledge to introduce comprehensive reform, and is likely to continue Mexico's efforts to improve border security, enforce its migration policies in a humane way, and create jobs in order to discourage illegal emigration. His government is also likely to continue protesting the excessive use of force by U.S. agents on the border; defending the rights of Mexican migrants in the United States, regardless of their status; and challenging state laws against illegal immigration.<sup>29</sup>

As Congress considers immigration reform, some may see reasons to treat Mexico as a "special case" on certain immigration questions given the sheer size of the bilateral flow of migrants and Mexico's status as America's continental neighbor.<sup>30</sup> Those analysts might advocate for a Mexico-specific temporary worker program, collaborative border enforcement, legalization for certain unauthorized Mexicans in the United States, and/or new investments in Mexican communities of origin aimed at reducing illegal outflows. On the other hand, a truly collaborative approach to bilateral migration issues along these lines would require a high level of mutual trust, which may not exist currently. Some people may question whether Mexico would be a reliable partner in a bilateral visa program, border enforcement, or port security—nor is it clear that Mexico would be willing to take on such a role in all of these cases.

Questions for oversight might include: How well is Mexico fulfilling its pledges to increase security along its northern and southern borders and to enforce its immigration laws? What is Mexico doing to address the root causes of emigration? What is the current level of bilateral

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<sup>27</sup> Researchers attribute this decline to the U.S. recession, stepped-up U.S. border security and interior enforcement, increasing abuses of migrants by smugglers and transnational criminal organizations, and expanding job opportunities in Mexico, among other factors. Jeffrey Passel, D'Vera Cohn, and Ana Gonzalez-Barrera, *Net Migration from Mexico Falls to Zero—And Perhaps Less*, Pew Hispanic Center, 2012, available at: <http://www.pewhispanic.org/files/2012/04/PHC-04-23a-Mexican-Migration.pdf>.

<sup>28</sup> President Fox and President George W. Bush met five times during the first nine months of 2001, and on September 6, 2001, the two presidents announced a framework agreement to negotiate a major bilateral migration accord. The agreement would have included a Mexico-specific temporary worker program, collaborative border enforcement, legalization for certain unauthorized Mexicans in the United States, and new investments in Mexican communities of origin aimed at reducing illegal outflows. The possibility of a U.S.-Mexico migration accord faded after the 9/11 terrorist attacks.

<sup>29</sup> The Mexican government has filed amicus curiae briefs in lawsuits seeking to block the immigration laws in Arizona, Alabama, Georgia, South Carolina, and Utah.

<sup>30</sup> This section is drawn from CRS Report R42560, *Mexican Migration to the United States: Policy and Trends*, coordinated by Marc R. Rosenblum.



cooperation on border security and immigration matters, and how might that cooperation be improved? Should Mexico be treated as a “special case” on immigration questions?

## **Trade: North American Integration and the Trans-Pacific Partnership (TPP)<sup>31</sup>**

The bilateral trade relationship with Mexico is of key interest to Congress because of Mexico's proximity, the high volume of trade with Mexico, and the strong cultural and economic ties between the two countries. The United States and Mexico have strong economic ties through the North American Free Trade Agreement (NAFTA), which has been in effect since 1994. Since the implementation of NAFTA, U.S.-Mexico trade has quadrupled, with the value of total bilateral trade reaching some \$460 billion in 2011.<sup>32</sup> Mexico ranks third as a source of U.S. imports, after China and Canada, and second, after Canada, as an export market for U.S. goods and services. The value of U.S. foreign direct investment (FDI) in Mexico has risen from \$17 billion in 1994 to \$91.4 billion in 2011, a 440% increase.<sup>33</sup> Most studies show that the net economic effects of NAFTA on both the U.S. and Mexican economies have been small but positive, though there have been adjustment costs to some sectors within both countries. Congress has monitored the implementation of NAFTA, the effects of NAFTA on the U.S. and Mexican economies, and the resolution of NAFTA-related trade disputes.

Most analysts expect Mexico's trade policy under the Peña Nieto Administration to be relatively similar to that of the Calderón government, albeit with a more aggressive emphasis on diversifying Mexico's trade partners. President Peña Nieto has put forth proposals for deepening North American integration (such as the establishment of a North American infrastructure fund) and improving efficiency at the U.S.-Mexican border. He also supports Mexico's active participation in negotiations for a Trans-Pacific Partnership (TPP) trade agreement.<sup>34</sup> At the same time, Peña Nieto has also vowed to bolster Mexico's trade ties with China, Europe, and Latin America, including trade with the Pacific Alliance (Chile, Peru, and Colombia) and Brazil.

In its legislative and oversight capacities, the 113th Congress may face numerous issues related to trade that could affect U.S.-Mexican economic relations. For example, the Obama Administration has made the proposed Trans-Pacific Partnership (TPP) free trade agreement a top trade priority. The United States, Canada, and Mexico, along with eight other countries,<sup>35</sup> are participating in the TPP negotiations. If implemented, the TPP potentially could eliminate tariff and non-tariff barriers to trade and investment among the parties and could serve as a template for a future trade pact among Asia-Pacific Economic Cooperation (APEC) members and potentially other countries. If negotiations continue to move forward, they may affect the rules governing North American trade that have been in effect since NAFTA entered into force.

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<sup>31</sup> This section draws from CRS Report RL32934, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications*, by M. Angeles Villarreal.

<sup>32</sup> Data is from the U.S. International Trade Commission (USITC) Interactive Tariff and Trade DataWeb at <http://daraweb.usitc.gov>.

<sup>33</sup> Data is from the U.S. Department of Commerce, Bureau of Economic Analysis.

<sup>34</sup> See CRS Report R42694, *The Trans-Pacific Partnership Negotiations and Issues for Congress*, coordinated by Ian F. Fergusson.

<sup>35</sup> Those countries include: Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam.

The 113<sup>th</sup> Congress is also likely to continue monitoring NAFTA's institutions. Those include the bilateral Border Environment Cooperation Commission (BECC), located in Ciudad Juárez, Mexico, and the North American Development Bank (NADBank), headquartered in San Antonio, TX. In the fall of 2011, the NADBank's mandate was broadened beyond promoting and financing environmental protection projects along the border to also include projects aimed at developing clean energy. Some U.S. and Mexican policymakers have supported broadening the functions of NADBank further to include other types of infrastructure development; this would likely require approval by both Congresses.

Experts have proposed ideas that Congress might consider to make North American industries more competitive and hasten regional integration. Some proposals that have emerged include calls for rethinking the current trade relationship under NAFTA by broadening the scope of North American integration and cooperation. One idea, for example, is to develop a North American Investment Fund to help close the income gap between Mexico and its northern neighbors. Others include setting up a Customs Union in North America, similar to that of the European Union, with a common external tariff to facilitate trade and deepen North American integration, developing a cooperative approach on immigration, and promoting regulatory convergence.<sup>36</sup>

Finally, Congress may play a significant role in determining when and how outstanding trade disputes with Mexico are resolved. The U.S. and Mexican governments resolved a long-standing trade dispute in 2011 involving NAFTA trucking provisions. However, pending disputes include issues related to dolphin-safe tuna labeling and bilateral tomato trade.

In the trade realm, potential questions for congressional consideration include: how U.S.-Mexican trade and economic ties can be deepened, how efficiency on the border can be improved without compromising security, and how weaknesses in NAFTA can be addressed.

## **Energy Reform and Cooperation: the Transboundary Hydrocarbons Agreement<sup>37</sup>**

The future of oil and gas production in Mexico is of great importance for Mexico's economic development and for U.S. energy security, a key congressional interest; Mexico is consistently a top U.S. crude oil supplier. Mexico's state oil company, PEMEX, established in 1938 as the world's first major national oil company, remains an important source of government revenue, but is struggling to counter the country's declining oil production. Policy experts have long urged Mexico to reduce the heavy fiscal burdens on PEMEX and to reform the constitution to enable PEMEX to pursue joint ventures with foreign oil companies that have the technological experience and capital required for deep offshore and unconventional exploration and production. However, numerous stakeholders in Mexico are concerned that increasing private involvement in PEMEX could threaten Mexico's constitutionally protected control over its natural resources. U.S. policymakers are likely to closely follow President Peña Nieto's efforts to reform PEMEX.

While monitoring prospects for energy reform in Mexico is an issue for long-term congressional oversight, the 113<sup>th</sup> Congress could be asked to consider approving the U.S.-Mexico Transboundary Hydrocarbons Agreement signed in February 2012. Estimates that a marine area

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<sup>36</sup> See: Robert A. Pastor, *The North American Idea, A Vision of a Continental Future*, Oxford University Press, 2011.

<sup>37</sup> This section was drafted by Curry L. Hagerty, Specialist in Energy and Natural Resources Policy.

straddling the U.S.-Mexico border held billions of barrels of crude oil prompted discussions between the United States and Mexico starting in the 1970s on how to manage exploration.<sup>38</sup> These resource estimates have continued to drive negotiations focused on jointly managing ocean areas in the Gulf of Mexico beyond the two nation's respective exclusive economic zones (EEZs).<sup>39</sup> In 2001, the marine area was delimited by both countries and they agreed that a moratorium on exploration and drilling would be in effect for approximately 10 years in a "buffer zone" marking the area at the border of each country's marine boundary. The stated purpose of the moratorium was to grant time for each country to learn more about the geology and geophysical characteristics of the area and to determine how to best address managing trans-boundary resources once the moratorium was lifted. During the early years that the moratorium was in effect, both countries studied the area and considered options for managing oil and gas reserves in the border area. In May 2010, the United States and Mexico jointly announced their intention to work toward replacing the moratorium with a mutual plan for developing trans-boundary resources.

On February 20, 2012, the governments of the United States and Mexico announced the Trans-boundary Hydrocarbons Agreement.<sup>40</sup> The agreement is a step toward clarifying relations between the two countries with respect to managing resources in portions of the Gulf of Mexico that straddle their international marine border.<sup>41</sup> Secretary of State Hillary Clinton has referred to the Trans-boundary agreement as an example of recent U.S.-Mexican efforts to develop a sustainable energy trading relationship.

Before the agreement can take effect, both countries must review and accept it. The Mexican Senate approved the agreement on April 12, 2012, and the Mexican Presidency completed all other domestic requirements to implement the agreement on May 22, 2012.<sup>42</sup> Steps toward U.S. review and acceptance are currently underway with the Department of State taking lead responsibility for addressing questions about the agreement during this process. A procedural question has emerged with respect to what actions are needed for the agreement to be accepted in the United States. At issue is whether the agreement should be entered in the form of a treaty (in which case it would need to be submitted to the Senate and approved by a two-thirds majority) or

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<sup>38</sup> Department of the Interior Office of Public Affairs. *Deepwater Gulf of Mexico 2006: America's Expanding Frontier OCS Report 2006-022*, (May 2006).

<sup>39</sup> With few exceptions, coastal nations exercise jurisdiction over marine areas within approximately 200 nautical miles of their coasts. This area is recognized as a nation's exclusive economic zone (EEZ) under most domestic laws and is generally consistent with international law. The United States declared its EEZ in Presidential Proclamation No. 5030, 48 *Federal Register* 10605 (March 14, 1983). The *Treaty between the Government of the United Mexican States and the Government of the United States of America on the Continental Shelf* signed on June 9, 2000, was consistent with this declaration.

<sup>40</sup> U.S. Department of State, Bureau of Western Hemisphere Affairs, *Agreement between the United States of America and the United Mexican States Concerning Trans-boundary Hydrocarbon Reservoirs in the Gulf of Mexico*, text of agreement available at <http://www.state.gov/p/wha/rls/2012/185259.htm>. (Last checked July 27, 2012.)

<sup>41</sup> See *Treaty to Resolve the International Boundary* signed on November 23, 1970, the *Treaty on Maritime Boundaries between the United Mexican States and the United States of America* signed on May 4, 1978, and the *Treaty between the Government of the United Mexican States and the Government of the United States of America on the Continental Shelf* signed on June 9, 2000. The ocean area beyond each country's EEZ is covered by these bilateral treaties. The area measures approximately 5,092 square nautical miles (17,467 square kilometers), an area slightly smaller than the state of New Jersey.

<sup>42</sup> Department of State, *Summary of the U.S. — Mexico Transboundary Hydrocarbons Agreement* (July 30, 2012). This summary can be found at <http://www.state.gov/r/pa/prs/ps/2012/02/184235.htm>.

a Congressional-Executive Agreement (in which case congressional authorization would take the form of a statute passed by a majority of both Houses).

The 113<sup>th</sup> Congress may soon be called upon to decide what, if any, implications might stem from the United States accepting this agreement.<sup>43</sup> Accordingly, the following questions arise with respect to how the agreement might affect U.S. interests: (1) Would the agreement lead to any new legal or regulatory obligations for U.S. interests? (2) Would existing environmental laws or existing lease terms and conditions in effect in the Gulf of Mexico be affected by the agreement?, and (3) What, if any, fiscal implications (gains or losses) might result from accepting the agreement and carrying out collaborative projects in the boundary area?

## Outlook

At the outset of this new Mexican Administration, many questions remain about Mexico's future. What type of leader will Enrique Peña Nieto turn out to be? Now that the PRI is back in power, is Mexico still on a path toward reform and modernization? Is Peña Nieto leading a "new PRI" government that is ready to strengthen democracy and combat corruption, or will it fall into the habits that characterized PRI governments in the past? How effective will President Peña Nieto be in securing congressional approval of his proposed reforms? Will the Peña Nieto government be able to reduce violence in Mexico while still combating organized crime? How might this government support efforts to enact comprehensive immigration reform in the United States? Will the Mexican economy perform better under the PRI than under the PAN?

Answers to some of these questions will depend largely upon the actions of President Peña Nieto himself, others will depend upon external factors, while still others will be decided by a mix of domestic and external factors. For example, Mexico would benefit immensely if certain immigration reforms were enacted in the United States, but there is little that the Peña Nieto government can do to support their enactment beyond pledging to reduce illegal emigration and bolster border security. In contrast, Enrique Peña Nieto's domestic policies can have a significant impact on security and economic conditions in Mexico, as well as bilateral efforts in those key areas.

Mexico and U.S.-Mexican relations are experiencing a time of transition. This transition may bring about advances in some areas of the bilateral relationship, while setbacks may occur in others. Throughout this process, the 113<sup>th</sup> Congress is likely to closely monitor conditions in Mexico, as well as U.S.-Mexican cooperation on key issues as part of its legislative and oversight capacities.

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<sup>43</sup> See, for example, U.S. Congress, Minority Staff Report, *Oil, Mexico, and the Transboundary Agreement*, prepared for Sen. Richard Lugar, ranking Member, U.S. Senate, Committee on Foreign Relations, 112<sup>th</sup> Cong., 2<sup>nd</sup> sess., December 21, 2012, S. Prt. 112-43.

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